

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 12,126

APPLICATION OF GOTHIC PRODUCTION)
CORPORATION FOR AN UNORTHODOX INFILL GAS)
WELL LOCATION, CHAVES COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

February 18th, 1999

Santa Fe, New Mexico

OIL CONSERVATION DIV.
29 MAR -4 AM 8:03

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner, on Thursday, February 18th, 1999, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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February 18th, 1999
Examiner Hearing
CASE NO. 12,126

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A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law
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 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 8:35 a.m.:

3 EXAMINER ASHLEY: The Division now calls Case
4 12,126, Application of Gothic Production Corporation for an
5 unorthodox infill gas well location, Chaves County, New
6 Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
9 representing the Applicant. I have two witnesses who, if
10 the record could reflect, are the same witnesses from the
11 last case, who were previously sworn --

12 EXAMINER ASHLEY: Okay.

13 MR. BRUCE: -- and qualified.

14 EXAMINER ASHLEY: Okay.

15 JAMES L. SCHULTZ,
16 the witness herein, having been previously duly sworn upon
17 his oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BRUCE:

20 Q. For the record, please state your name.

21 A. Jim Schultz.

22 Q. And are you familiar with the land matters
23 involved in this Application, Mr. Schultz?

24 A. Yes, I am.

25 Q. Mr. Schultz, what does Gothic seek in this case?

1 A. Gothic seeks approval of an unorthodox location
2 for its Penjack Federal Well Number 11.

3 Q. Would you identify Exhibit 1 and describe the
4 well's location?

5 A. Exhibit 1 is a land plat. It show the proposed
6 location of the well being 330 from the north line, 2310
7 from the east line in Section 12, 10 South, 25 East. The
8 northeast quarter of Section 12 will be dedicated to the
9 well, along with the existing Gothic well, the Penjack
10 Federal Number 3 well, located in the southeast of the
11 northeast quarter.

12 Q. And what well is -- excuse me, what pool is this
13 well located in?

14 A. It's located in the Pecos Slope-Abo Pool. Rules
15 require 160-acre spacing and allow two wells per unit, with
16 wells no closer than 660 to an outside boundary line. Any
17 request for an unorthodox location is to be set for
18 hearing.

19 Q. What is the reason for the unorthodox location?

20 A. It's based on both topographical and geological
21 reasons. Due to geology, Gothic wanted the well to be
22 located in the northwest of the northeast quarter of
23 Section 12. The original well was staked at 330 from the
24 north line, 1980 from the east line. However, the BLM
25 required that the well be moved west from the original

1 location.

2 Q. Could you refer to Exhibit 2, identify it for the
3 Examiner, and show him the reason that the well was moved
4 or why the BLM required the well to be moved?

5 A. Yes, the -- Exhibit 2 is a topographical map, and
6 it shows where the original location was, 330 from the
7 north line, 1980 from the east. It fell into a drainage
8 area, which the BLM required that we move the location
9 from.

10 Q. And for geologic reasons, it was better to move
11 it to the west than to the east; is that correct?

12 A. Yes.

13 Q. Okay. Now, referring back to Exhibit 1, could
14 you go through the offsetting well units and identify who
15 the offset lessees or operators are?

16 A. Yes. In the west half of Section 12, it's owned
17 100 percent by Yates Petroleum Corporation. The southwest
18 of Section 1 is owned 100 percent by Gothic, and then the
19 southwest of 1 is mainly owned by Gothic, with the Yates
20 group -- being Yates Petroleum, Myco Industries, Yates
21 Drilling and Abo Petroleum Corporation -- owning 37.5
22 percent working interest.

23 Q. In Section 1, I think you misspoke. The
24 southeast quarter is 100-percent owned by Gothic?

25 A. Gothic, yes, I'm sorry.

1 Q. And this is all federal acreage in Sections 1 and
2 12, is it not?

3 A. Yes, it is.

4 Q. Okay. Were the Yates companies notified of this
5 hearing?

6 A. Yes, I have an affidavit of notice, along with
7 return receipts, which is submitted as Exhibit Number 3.

8 Q. And you notified not only Yates Petroleum but the
9 other Yates entities; is that correct?

10 A. Yes, I did.

11 Q. Have you been in touch with Yates about this
12 location?

13 A. Yes, Yates has waived objection to this location
14 in return for Gothic's consent of a similar location in the
15 northeast of the northwest of Section 12. Gothic will
16 provide Yates with additional well information. And
17 there's a copy of the waiver attached here as Exhibit 4.

18 Q. Okay, so Exhibit 4 is signed by -- actually by
19 Yates Petroleum Corporation --

20 A. Yes.

21 Q. -- is that correct?

22 A. Yes.

23 Q. Were Exhibits 1 through 4 prepared by you or
24 under your direction, Mr. Schultz?

25 A. Yes, they were.

1 Q. And in your opinion, is the granting of this
2 Application in the interests of conservation and the
3 prevention of waste?

4 A. Yes.

5 MR. BRUCE: Mr. Examiner, I'd move the admission
6 of Gothic's Exhibits 1 through 4 into the record.

7 EXAMINER ASHLEY: Exhibits 1 through 4 will be
8 admitted into evidence.

9 EXAMINATION

10 BY EXAMINER ASHLEY:

11 Q. Mr. Schultz, could you say again who the offsets
12 were and what they are?

13 A. Yes, in the west half of Section 12, that's owned
14 100 percent by Yates Petroleum Corporation.

15 The southeast quarter of Section 1 is owned 100
16 percent by Gothic.

17 The southwest of Section 1 is owned by Gothic,
18 with the Yates group owning 37.5 percent. And when I say
19 Yates group, that's Yates Petroleum Corporation; Myco
20 Industries, Inc.; Yates Drilling Company; and Abo Petroleum
21 Corporation.

22 Q. Okay. And what was Yates' agreement again, to
23 the drilling of this well?

24 A. Their agreement, they wanted for Gothic to agree
25 to a similar unorthodox location -- it would be in the

1 northeast of the northwest quarter -- and for Gothic to
2 provide them with geologic information on the well -- the
3 Penjack Federal Number 11 well.

4 Q. And that's a well that Yates will be drilling?
5 Is that a well that Yates will drill?

6 A. No, that's -- The Penjack Federal 11 is the well
7 that Gothic is requesting the unorthodox location for in
8 this matter.

9 Q. But the one that Yates -- They're also wanting to
10 drill another well; is that --

11 A. Yes, once they look at the geological information
12 that Gothic will get by drilling the Penjack Federal 11,
13 then they were looking at drilling an offset to it in
14 Section 12.

15 EXAMINER ASHLEY: Okay. I have nothing further.
16 Thank you.

17 MR. BRUCE: Call Mr. Scott to the stand again.

18 GEORGE SCOTT, III,

19 the witness herein, having been previously duly sworn upon
20 his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name for the record?

24 A. George Scott.

25 Q. And you previously testified in the first case?

1 A. Yes.

2 Q. And are you familiar with the geologic matters
3 involved in this Application?

4 A. Yes.

5 Q. Mr. Scott, would you refer to Gothic's Exhibit 5
6 and discuss it briefly for the Examiner?

7 A. Yes, Exhibit 5 is a north-south cross-section,
8 using available well control. It shows the top of the Abo
9 formation. Illustrated are the net reservoir sand lobes,
10 and as it's observed for the most part, the sands are
11 lenticular in nature.

12 Q. How many zones in the Abo are productive in this
13 area?

14 A. There's six zones.

15 Q. And what are the main ones that you are looking
16 for in this particular location?

17 A. Well, the primary zones are the sands of 1, Sand
18 2, Sand 4 and Sand 6, which is a pretty thin little zone.

19 Q. Okay. Why don't we move on to your isopachs,
20 marked Exhibits 6 through 9. Would you identify those for
21 the Examiner and go through them and --

22 A. Yes.

23 Q. -- show him what it says about this location?

24 A. Exhibits 6 through 9 are the net reservoir
25 isopach maps, based on well control.

1 They show -- Beginning with Exhibit 6, it shows a
2 northwest-to north-to-south-trending lobate sandbody. Our
3 location, the proposed location, is positioned to try to
4 optimize the development of that sand. Exhibit 7 -- Let me
5 add, Exhibit 6 is for the Number 1 sand.

6 Exhibit 7 is for the Number 2 sand. It also
7 shows a north-south trend. The location, the proposed
8 location, should catch the edge of the Number 2 sand.

9 Exhibit Number 8 is for the Number 4 sand, and
10 that's the primary objective. The proposed location should
11 encounter a fairly good development of this sand. We
12 anticipate somewhere in the 20- to 30-foot range, as far as
13 net pay. It also has a general north-south trend.

14 Exhibit 9 shows the Number 6 sand. Now, the
15 Number -- This particular sand is a thin zone, and it's a
16 little more speculative in terms of its occurrence. The
17 closest production with respect to the proposed location is
18 about a mile to the north, whereas the other main sands
19 produce a lot closer, particularly the aforementioned
20 Exhibit 8, the Number 4 sand. It produces in all
21 directions from our proposed locations.

22 Q. And again on these maps, Mr. Scott, the wells
23 marked in red produce from that particular sand?

24 A. That's correct.

25 Q. And again, the Number 4 sand is the one with the

1 most production in this area?

2 A. That's correct.

3 Q. As a result of looking at your Exhibit 8, would
4 you want to stay away from or move away from the existing
5 Penjack Federal Number 3 well in this sand?

6 A. Well, the idea was to try to move to the west and
7 to the northwest, to get maximum thickness. We don't want
8 to get too close to that Penjack Number 3 well, both from a
9 drainage perspective, but it does have pay present. It has
10 about 20 feet of pay.

11 Does that answer your question?

12 Q. Yes, sir.

13 And then, looking at your Exhibit 9, in this
14 sand, really, this -- the proposed well is a wildcat, isn't
15 it?

16 A. That's correct.

17 Q. The trend of the reservoir in this is marked by
18 dashed lines. Is that due to lack of good information in
19 that sand?

20 A. That indicates more of an interpretive mapping.

21 Q. Okay.

22 A. A little more subjective.

23 Q. And again, these maps are all based on well
24 control from wells in the area?

25 A. That's correct.

1 Q. If this well is successful in the Abo, will it
2 help prove up Yates' acreage to the west in Section --

3 A. Yes, it would prove up a location to the west.
4 It would also prove up a location, likely, to the north.

5 Q. Okay.

6 A. Or northeast.

7 Q. Who prepared Gothic Exhibits 5 through 9?

8 A. They were prepared by Bob Snead with Gothic.

9 Q. And have you reviewed the data that went into the
10 preparation of these exhibits?

11 A. Yes.

12 Q. And do you agree with the interpretation,
13 geologic interpretation, in these exhibits?

14 A. Yes.

15 Q. In your opinion, is the granting of this
16 Application in the interests of conservation and the
17 prevention of waste?

18 A. Yes.

19 MR. BRUCE: Mr. Examiner, I'd move the admission
20 of Exhibits 5 through 9 into the record.

21 EXAMINER ASHLEY: Exhibits 5 through 9 will be
22 admitted as evidence.

23 EXAMINATION

24 BY EXAMINER ASHLEY:

25 Q. Mr. Scott, is there a concern of the fractures in

1 this particular prospect, like you mentioned in the prior
2 case?

3 A. Not here, because we're -- Well, I mean, if we
4 were to consider drilling straight north of the Penjack
5 Federal 3, there would be. But being that we're to the
6 northwest, we're not concerned with fracture drainage on
7 this location.

8 EXAMINER ASHLEY: Okay. I have nothing further,
9 thank you.

10 THE WITNESS: Thank you, sir.

11 MR. BRUCE: That's all I have in this matter, Mr.
12 Examiner.

13 EXAMINER ASHLEY: There being nothing further in
14 this case, Case 12,126 will be taken under advisement.

15 And today's hearing is adjourned.

16 (Thereupon, these proceedings were concluded at
17 8:50 a.m.)

18 * * *

19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 12,126
23 heard by me on 2-18 1999
24 Mark Ashley Examiner
25 Off Conservation Division


CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL February 19th, 1999.



 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002